

Major Types of Financial Security Included in the Arena Proposal.

Construction Cost Overruns

Private investors are responsible for construction of the facility and any cost overruns that may occur.

Annual Revenue Guarantee

Revenue sufficient to support a fair return, as well as annual debt service is guaranteed by the investors. If tax revenues come in below estimates, the investors pay additional rent to cover any gap.

Security Reserve

Prior to any public financial support, a security reserve will be funded by the investors and held in escrow. Equivalent to a full year of debt service initially, grows to reach three times average annual debt service by year ten. Investors would be required to refill this reserve to agreed minimum levels, should it ever fall below minimum thresholds.

First Position Debtor

The City and the County will be in first position to receive annual payments ahead of other private equity lenders.

Non-Relocation Agreement with Liquidated Damages

The investors will enter into a binding non-relocation agreement for both teams for the full term of the public financing.

Capital Expenditure Fund

The investors will contribute annually to a capital expenditure fund. These funds will be used for major capital work done in the arena. An independent engineer will provide a schedule for this work.

Comparable Standards

The facility will be constructed to mutually agreeable standards. The facility will also be maintained and operated in accordance with mutually agreeable standards. These are designed to ensure the facility achieves its full useful life and is in good working order throughout, reducing the need for most costly work near the end of the term.

Locally Domiciled

The teams will be required to domicile in Seattle for tax purposes, ensuring that business revenues are subject to local taxes.

Secure and Direct Revenues

Only tax revenues that verifiably result directly from the project are incorporated. There is no reliance upon induced revenues.

No Operations Financial Risk

The investors are entirely responsible for operation of the facility. The public will bear no costs for operations.

Maximum Public Financing Limit

The City and County would contribute no more than \$200 million combined towards the project, which includes purchase of the land.